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CAPE TOWN ALSO FOR EMBASSY

SUBJ: IBM TERMINATES ACTIVITIES IN RHODESIA

1. MORRIS COWLEY (PROTECT SOURCE), MANAGING DIRECTOR IBM SOUTH AFRICA, TOLD CONGEN OFFICERS APRIL 24 THAT COMPANY'S NEW YORK HEADQUARTERS INFORMED HIM BY PHONE APRIL 21 OF DECISION TO SEVER ALL RELATIONS AND COMMUNICATIONS WITH RHODESIAN USERS OF IBM EQUIPMENT. NEW YORK SENDING REPRESENTATIVE TO SALISBURY TO HANDLE WIND-UP OF AFFAIRS.
2. COWLEY'S UNDERSTANDING THAT ACTION WAS PRICE COMPANY FELT IT HAD TO PAY TO AVERT JUSTICE DEPARTMENT ANTI-TRUST SUIT.
3. ACCORDING COWLEY, IBM MADE NO NEW SALES IN RHODESIA SINCE UDI AND ACTIVITIES LIMITED TO SERVICING OF EQUIPMENT ALREADY THERE. HE EXPRESSED STRONG CONCERN THAT SEVERENCE ACTION WILL RESULT IN SERIOUS LOSS OF IBM BUSINESS IN SOUTH AFRICA TO FRENCH AND GERMAN COMPETITORS WHO WILL STRESS UNRELIABILITY OF US SUPPLIERS. DEVELOPMENT WILL ALSO COMPLICATE RELATIONS OF IBM WITH S.A. ORGANIZATIONS AND FIRMS, SUCH AS SOUTH AFRICAN AIRWAYS, WHICH TEND TO REGARD SALISBURY AS JUST ANOTHER BRANCH OPERATION.
4. COWLEY SAID ACTION EFFECTIVE APRIL 24 AND LIKELY TO BE MADE PUBLIC APRIL 26. HE EMPHASIZED INFORMATION CONFIDENTIAL AND REQUESTED IT NOT BE DIVULGED UNTIL MADE PUBLIC. LUTKINS

State Dept. review completed